

Vehicle Use

Personal use of an employer-provided auto is a taxable fringe benefit includable as compensation to an employee, officer, or partner. The includable fringe benefit is determined by allocating the auto's value between the employee's business and personal use. Employees, officers, and partners are required to account for mileage and report personal use to the employer each year.

Personal use includes use by the employee for other business or investment purposes, or for any other purpose not related to the employee's business of being an employee of the employer. Use by someone other than the employee is considered use by the employee. Commuting is also personal use.

If the employer restricts personal use to commuting, the employer must include \$3.00 per day (round trip) as personal use on the employee's W-2 Form. This amount is also subject to payroll tax.

If the employer does not restrict personal use to commuting only, or if the employee is an officer or partner of the company, the fair rental value of the vehicle and fuel must be added to the employee's or officer's W-2 Form. Again, this amount is subject to payroll tax. In the case of a partner, the amount of personal use increases ordinary and self-employment income from the partnership reported on Schedule K-1.

If you need assistance with this tax matter and/or the preparation of related payroll tax or income tax forms, please contact us.